

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ypsilanti District Library	County Washtenaw
Fiscal Year End November 30, 2006	Opinion Date January 5, 2007	Date Audit Report Submitted to State February 8, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

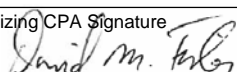
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503		
Street Address 675 Robinson Rd		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name David M. Fisher, CPA		License Number 10337



# **FINANCIAL STATEMENTS**

**For The Year Ended  
November 30, 2006**



**REHMANN ROBSON**

*Certified Public Accountants*



## Table Of Contents

---

	<b><u>PAGE</u></b>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-6
Basic Financial Statements for the year ended November 30, 2006:	
Governmental Funds Balance Sheet/Statement of Net Assets.....	7
Reconciliation of Governmental Fund Balance to Statement of Net Assets .....	8
Statement of Revenue, Expenditures and Changes in Fund Balances and Statement of Activities – Governmental Funds .....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	10
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	11
Notes to the Financial Statements.....	12-24
Supplementary Information:	
Schedule of Operating Expenditures – General Fund.....	25

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

January 5, 2007

To the Board of Trustees  
Ypsilanti District Library  
Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **YPSILANTI DISTRICT LIBRARY**, as of and for the year ended November 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ypsilanti District Library, as of November 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ypsilanti District Library's basic financial statements. The individual fund schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive style with a large, stylized 'L' and 'J'.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis For the year ending November 30, 2006

The discussion and analysis of Ypsilanti District Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended November 30, 2006. Please read it in conjunction with the Library's financial statements.

### Using this annual report

The funds are presented on the modified accrual basis of accounting, which is a short-term view that focuses on how taxpayer's resources are spent during the current period and the amounts of those resources available for future spending. The modified accrual based financial statements provide detailed information about the Library's current financial resources and demonstrates compliance with various state laws and shows the stewardship of the Library's annual property tax and other revenue.

The modified accrual based statements are converted to full accrual accounting based statements by incorporating long-lived resources and long-term obligations into the reporting model. Full accrual statements focus on full costing of current services and on the total resource picture of the Library.

### Condensed Financial Information

The following table shows key financial information in a condensed format:

<b>Statement of Net Assets</b>	November 30	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash and investments	\$ 3,230,645	\$ 4,316,507
Capital assets	18,517,242	18,619,686
Other assets	282,129	217,051
Total assets	22,030,016	23,153,244
<b>Liabilities</b>		
Long-term liabilities	13,204,790	14,553,338
Other liabilities	184,290	242,066
Total Liabilities	13,389,080	14,795,404
<b>Net Assets</b>		
Invested in capital assets – Net of debt	5,426,327	4,180,178
Restricted for debt service payments	10,548	662,534
Restricted for donor-restricted purpose	8,168	8,146
Unrestricted	3,195,893	3,506,982
Total net assets	\$ 8,640,936	\$ 8,357,840

<b><u>Statement of Activities</u></b>	November 30	
	<u>2006</u>	<u>2005</u>
<b>Revenue</b>		
Property taxes	\$ 4,618,594	\$ 4,476,495
Other	640,348	652,022
Total Revenue	5,258,942	5,128,517
<b>Expenses</b>	4,975,846	4,779,266
<b>Change in Net Assets</b>	\$ 283,096	\$ 349,251

### **Full Accrual Analysis**

The full accrual statement of activities shows an increase in net assets of \$283,096. The General Fund acquired \$1,169,745 in new capital assets while depreciation charges were \$1,187,626. By utilizing \$1,655,000 of Debt Service Fund resources and refinancing callable bonds, the Library was able to reduce debt principle by \$1,415,000 and future interest payment requirements by \$964,227.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$3,195,893. Unrestricted net assets decreased during the year by \$311,089.

### **Modified Accrual Analysis**

The General Fund pays for all of the Library's services. The most significant costs are for personnel and related staffing expenses of \$2,055,421, which accounted for 56 percent of the total operating expenditures in the year ended November 30, 2006. Library acquisition cost for materials and programs was \$470,331, or 13 percent of total operating expenditures. The remaining categories include: contractual services of \$97,856 (3 percent), automation and capital outlay of \$616,766 (17 percent), and other, which includes supplies, tax rebates, and other expenditures, \$419,855 (11%). The general fund had a net change in fund balance for the year of (\$121,833).

The debt service fund had a refinancing of callable bonds, and was left with a fund balance of \$10,548 at November 30, 2006.

### **Budgetary Highlights**

For the year ended November 30, 2006, the Ypsilanti District Library allocated resources from the improvements reserves to improve systems and acquire new equipment. These projects include a major upgrade for the Ypsilanti District Library computer network system, new patron and administrative computers, the acquisition of an electronic display system, and an enhancement to the security systems.



In October the Ypsilanti District Library entered into an agreement to acquire a new bookmobile for the district and a portion of the cost is reflected in the expenditure section of these financial statements.

The general fund original budget was amended during the year to include the improved systems and equipment described above.

### **Capital Asset and Debt Administration**

As of November 30, 2006, Ypsilanti District Library had \$18,517,242 invested in a broad range of capital assets, including building, collections, furniture, and equipment.

For the year ended November 30, 2006, Ypsilanti District Library purchased books at a cost of \$415,791 and other capital assets at a cost of \$753,954.

All payments for interest and principal have been made in accordance with the bond amortization schedule. In November, 2006, Ypsilanti District Library refinanced the callable portion of its outstanding debt resulting in a cash savings to be recognize over the next 22 years of \$145,416.

### **Economic Factors and Next Year's Budgets and Rates**

The Ypsilanti District Library's budget for the fiscal year ending November 30, 2007 has included a conservative projection for tax revenues. During the year ended November 30, 2006, tax refunds caused by settled appeals exceeded \$25,000. The future tax value of our major industrial properties is uncertain. There are appeals under review that may result in even higher tax refunds. Penal fines, state aid and state revenue sharing have been budgeted with no increases expected. The future of these revenue categories depend upon legislative action.

In August 2006, residents of Superior Charter Township voted to become a part of the Ypsilanti District Library and authorized the levy of a 1.6 mil tax. The additional taxes are included in the budget for the year ending November 30, 2007.

Operating costs were increased to reflect expected inflation for non-personnel cost. Labor cost is expected to increase in accordance with the terms of the labor contract with minor additions in staffing patterns. Additional costs were included in the budget to reflect opening of a temporary branch in Superior Township which is expected to open in the Spring of 2007.

### **Notable Progress**

The correction to the Whittaker Road mechanical systems was substantially completed during the fiscal year ended November 30, 2006.

During the year, the Library-owned park plaza located adjacent to its Michigan Avenue facility was completed. The plaza includes the renovated fountain, outdoor seating, lighting, iron fence, game tables, trees and plantings, and a special outdoor youth story area. The park's centerpiece is a life size bronze sculpture of Harriet Tubman which was dedicated along with the park in May, 2006.

### **Key Performance Indicators**

- Items borrowed: 699,000 (approximately 13 % increase over the year ended November 30, 2005)
- Program attendance: 30,000 ( 17% increase)
- Reference questions answered: 124,000
- Percentage of population with library cards: 81%

### **Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and provide accountability for the resources entrusted to the trustees and the management of Ypsilanti District Library. If you have questions about this report, or need additional information, contact the Director, Jill Morey, at (734) 879-1300.

## BASIC FINANCIAL STATEMENTS

**YPSILANTI DISTRICT LIBRARY**  
**Governmental Funds Balance Sheet/Statement of Net Assets**  
**November 30, 2006**

	<u>Major Funds</u>		<u>Nonmajor Fund</u>			<u>Statement</u>
	<u>General</u>	<u>Debt Service</u>	<u>HVAC Reengineering</u>	<u>Total</u>	<u>Adjustments</u>	<u>of Net Assets</u>
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Cash and cash equivalents	\$ 3,114,213	\$ 3,723	\$ 112,709	\$ 3,230,645	\$ -	\$ 3,230,645
Accounts receivable	62,187	-	-	62,187	-	62,187
Taxes receivable	110,647	69,419	-	180,066	-	180,066
Due from other governments	39,876	-	-	39,876	-	39,876
Due from other funds	-	3,622	-	3,622	(3,622)	-
Capital assets						
Assets not being depreciated	-	-	-	-	1,479,351	1,479,351
Assets being depreciated	-	-	-	-	17,037,891	17,037,891
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 3,326,923</u></b>	<b><u>\$ 76,764</u></b>	<b><u>\$ 112,709</u></b>	<b><u>\$ 3,516,396</u></b>	<b><u>18,513,620</u></b>	<b><u>22,030,016</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 118,531	\$ -	\$ -	\$ 118,531	-	118,531
Accrued liabilities	26,227	-	-	26,227	39,532	65,759
Due to other funds	3,622	-	-	3,622	(3,622)	-
Deferred revenue	95,213	66,216	-	161,429	(161,429)	-
Long-term liabilities						
Due within one year	-	-	-	-	924,394	924,394
Due after one year	-	-	-	-	12,280,396	12,280,396
Total liabilities	243,593	66,216	-	309,809	13,079,271	13,389,080
<b>Fund balances/Net assets</b>						
Fund balance - reserved for memorials	8,168	-	-	8,168	(8,168)	-
Fund balance - unreserved:						
Designated for working capital	750,000	-	-	750,000	(750,000)	-
Designated for capital obligations	336,753	-	-	336,753	(336,753)	-
Undesignated	1,988,409	10,548	112,709	2,111,666	(2,111,666)	-
Total fund balances	3,083,330	10,548	112,709	3,206,587	(3,206,587)	-
<b><u>Total Liabilities and Fund balances</u></b>	<b><u>\$ 3,326,923</u></b>	<b><u>\$ 76,764</u></b>	<b><u>\$ 112,709</u></b>	<b><u>\$ 3,516,396</u></b>		
<b>Net assets:</b>						
Investment in capital assets, net of related debt					5,426,327	5,426,327
Restricted for debt service					10,548	10,548
Restricted for other purposes					8,168	8,168
Unrestricted					3,195,893	3,195,893
Total net assets					<u>\$ 8,640,936</u>	<u>\$ 8,640,936</u>

The accompanying notes are an integral part of these financial statements.

**YPSILANTI DISTRICT LIBRARY**  
**Reconciliation of Governmental Fund Fund Balances**  
**to Statement of Net Assets**  
**November 30, 2006**

Fund balances - total governmental funds	\$ 3,206,587
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	24,524,811
Deduct: accumulated depreciation	(6,007,569)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term receivables	161,429
-------------------------------------	---------

Certain liabilities, including amounts due for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable and other long-term debt	(13,090,915)
Deduct: accrued interest on long-term liabilities	(39,532)
Deduct: compensated absences	(113,875)

---

Net assets of governmental activities	<u>\$ 8,640,936</u>
---------------------------------------	---------------------

The accompanying notes are an integral part of these financial statements.

**YPSILANTI DISTRICT LIBRARY**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances and Statement of Activities**  
**Governmental Funds**  
**For the Year Ended November 30, 2006**

	<b>Major Funds</b>		<b>Nonmajor Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement</b>
	<b>General</b>	<b>Debt Service</b>	<b>HVAC</b>			<b>of Net Assets</b>
			<b>Reengineering</b>			
<b>Revenue</b>						
Property taxes	\$ 2,917,981	\$ 1,624,415	\$ -	\$ 4,542,396	\$ 76,198	\$ 4,618,594
Penal fines	168,896	-	-	168,896	-	168,896
State revenue sharing	39,876	-	-	39,876	-	39,876
State aid	57,660	-	-	57,660	-	57,660
Superior Township contract	46,000	-	-	46,000	-	46,000
Miscellaneous	96,821	-	-	96,821	-	96,821
Interest income	150,169	33,134	8,091	191,394	-	191,394
Donations	8,814	-	-	8,814	-	8,814
Friends of the Library gift	30,887	-	-	30,887	-	30,887
Total revenue	3,517,104	1,657,549	8,091	5,182,744	76,198	5,258,942
<b>Expenditures/expenses</b>						
Current:						
Administration	1,677,725	-	-	1,677,725	(197,975)	1,479,750
Michigan Avenue	453,342	-	-	453,342	283,150	736,492
Bookmobile	52,047	-	-	52,047	25,779	77,826
Whittaker Road	1,439,855	-	375,493	1,815,348	(48,984)	1,766,364
Expenditures from donations revenue	37,260	-	-	37,260	-	37,260
Debt service:						
Principal	-	730,000	-	730,000	(730,000)	-
Interest	-	654,535	-	654,535	(16,381)	638,154
Fiscal charges and bond costs	-	152,439	-	152,439	87,561	240,000
Total expenditures/expenses	3,660,229	1,536,974	375,493	5,572,696	(596,850)	4,975,846
Revenue over (under) expenditures/expenses	(143,125)	120,575	(367,402)	(389,952)	389,952	-
<b>Other financing sources (uses)</b>						
Bond proceeds	-	9,685,000	-	9,685,000	(9,685,000)	-
Capital lease proceeds	106,926	-	-	106,926	(106,926)	-
Bond premium	-	138,716	-	138,716	(138,716)	-
Payment to escrow agent	-	(10,596,277)	-	(10,596,277)	10,596,277	-
Total other financing sources (uses)	106,926	(772,561)	-	(665,635)	665,635	-
Net change in fund balances	(36,199)	(651,986)	(367,402)	(1,055,587)	1,055,587	-
Change in net assets	-	-	-	-	283,096	283,096
<b>Fund balance/net assets, beginning of year, as restated</b>	3,119,529	662,534	480,111	4,262,174	4,095,666	8,357,840
<b>Fund balance/net assets, end of year</b>	<u>\$ 3,083,330</u>	<u>\$ 10,548</u>	<u>\$ 112,709</u>	<u>\$ 3,206,587</u>	<u>\$ 5,434,349</u>	<u>\$ 8,640,936</u>

The accompanying notes are an integral part of these financial statements.

**YPSILANTI DISTRICT LIBRARY**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended November 30, 2006**

Net change in fund balances - total governmental funds \$ (1,055,587)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	1,169,745
Deduct: depreciation expense	(1,187,626)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.

Deduct: loss from disposition of capital assets	(84,563)
---	----------

Property tax revenues are recorded as additions to net assets when earned; They are not recorded in the funds until collected or collectible within 60 days of year end.

Add: change in deferred long-term receivables	76,198
---	--------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In addition, funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are capitalized and amortized on the statement of activities.

Add: principal payments on long-term liabilities	770,519
Deduct: capital lease proceeds	(106,926)
Deduct: refunding bond proceeds	(9,685,000)
Deduct: premium on refunding bonds	(138,716)
Deduct: effect of other net refunding transactions	(87,561)
Add: payment to refunding bond escrow agent	10,596,277

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest on bonds	16,381
Deduct: increase in the accrual for compensated absences	(45)

Change in net assets of governmental activities	\$ 283,096
---	------------

The accompanying notes are an integral part of these financial statements.

**YPSILANTI DISTRICT LIBRARY**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended November 30, 2006**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenue</b>				
Property taxes	\$ 2,828,923	\$ 2,828,923	\$ 2,917,981	\$ 89,058
Penal fines	150,000	150,000	168,896	18,896
State revenue sharing	39,876	39,876	39,876	-
State aid	68,000	68,000	57,660	(10,340)
Superior Township contract	46,000	46,000	46,000	-
Miscellaneous	88,500	88,500	96,821	8,321
Interest income	54,605	54,605	150,169	95,564
Donations	1,000	1,000	8,814	7,814
Friends of the Library gift	2,000	2,000	30,887	28,887
<b>Total revenue</b>	<b>3,278,904</b>	<b>3,278,904</b>	<b>3,517,104</b>	<b>238,200</b>
<b>Expenditures</b>				
Current:				
Administration	1,330,628	1,831,339	1,677,725	153,614
Michigan Avenue	472,019	504,352	453,342	51,010
Bookmobile	53,448	53,448	52,047	1,401
Whittaker Road	1,544,642	1,544,642	1,439,855	104,787
Expenditures from donations revenue	-	-	37,260	(37,260)
<b>Total expenditures</b>	<b>3,400,737</b>	<b>3,933,781</b>	<b>3,660,229</b>	<b>273,552</b>
<b>Revenue over (under) expenditures</b>	<b>(121,833)</b>	<b>(654,877)</b>	<b>(143,125)</b>	<b>511,752</b>
<b>Other financing sources</b>				
Capital lease proceeds	-	-	106,926	106,926
<b>Net change in fund balances</b>	<b>(121,833)</b>	<b>(654,877)</b>	<b>(36,199)</b>	<b>618,678</b>
<b>Fund balance, beginning of year</b>	<b>3,119,529</b>	<b>3,119,529</b>	<b>3,119,529</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 2,997,696</b>	<b>\$ 2,464,652</b>	<b>\$ 3,083,330</b>	<b>\$ 618,678</b>

The accompanying notes are an integral part of these financial statements.



## NOTES to the FINANCIAL STATEMENTS

# **YPSILANTI DISTRICT LIBRARY**

## **Notes to the Financial Statements**

---

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting entity**

Ypsilanti District Library (the “Library”) began operations as a district library in May 1983 when it began receiving tax revenue from Ypsilanti Township and the Township of Ypsilanti.

The Library has implemented the Governmental Accounting Standards Board’s Statement No. 14, and has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Library.

#### **B. Government-wide and fund financial statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Library had no business-type activities during the year ended 2006.

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **C. Measurement focus, basis of accounting, and financial statement presentation**

The Library-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# **YPSILANTI DISTRICT LIBRARY**

## **Notes to the Financial Statements**

---

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received, intergovernmental revenue, and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Library reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt.

Additionally, the Library reports the following fund type:

The HVAC reengineering fund is used to account for the activity associated with reengineering of the HVAC unit at the Whittaker Road location.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# YPSILANTI DISTRICT LIBRARY

## Notes to the Financial Statements

---

### D. Assets, liabilities and equity

#### 1. Cash and cash equivalents/investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at fair value, based on quoted market prices.

#### 2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). There were no such interfund loans outstanding at November 30, 2006.

#### 3. Capital assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Furniture and fixtures	10-20
Vehicles	7
Computer and office equipment	3-5
Collections	5

# **YPSILANTI DISTRICT LIBRARY**

## **Notes to the Financial Statements**

---

### **4. Compensated absences**

Compensated absences represent the estimated liability to be paid to employees under the Library's compensated absences policy. It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements.

### **5. Long-term obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

### **6. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **7. Property taxes**

The Library district's borders encompass the City of Ypsilanti and Ypsilanti Township, and property taxes are assessed as of December 31. The Library's operating and debt taxes are billed to the City of Ypsilanti taxpayers on July 1 and to Ypsilanti Township taxpayers on December 1 of the following fiscal year. The Delinquent Tax Revolving Fund of Washtenaw County advances delinquent real taxes to the Library on an annual basis.

# YPSILANTI DISTRICT LIBRARY

## Notes to the Financial Statements

---

### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The General fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Library Board. The budgets for the General and Debt Service Funds are adopted on a total basis for revenue and a departmental basis for expenditures; expenditures at this level in excess of budgeted amounts are a violation of Michigan law. Variances with the Final Budget are shown on the Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets follows:

**Statement of Net Assets:**

Cash and cash equivalents	<b><u>\$ 3,230,645</u></b>
---------------------------	----------------------------

These balances are disclosed in the notes as follows:

Petty cash	\$ 230
Bank deposits (checking and savings accounts)	3,019,155
Investments	<u>211,260</u>
	<b><u>\$ 3,230,645</u></b>

# YPSILANTI DISTRICT LIBRARY

## Notes to the Financial Statements

---

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial paper, repurchase agreements, banker acceptances and mutual funds composed of otherwise legal investments.

### **Investments**

The District chooses to disclose its investments by specifically identifying each. As of year -end, the District had the following investments:

<b><u>Deposit/Investment</u></b>	<b><u>Maturity</u></b>	<b><u>Fair Value</u></b>	<b><u>Rating</u></b>
Michigan Governmental MMF	n/a	\$ 194,227	S&P – Aaa
American Century - growth stock fund	n/a	<u>17,033</u>	n/a
		<b><u>\$ 211,260</u></b>	

### **Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates of investments are shown in the investment schedule above.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the Library does not have a policy for deposit custodial credit risk. As of year end, \$2,282,381 of the Library's bank balance of \$3,184,534 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# YPSILANTI DISTRICT LIBRARY

## Notes to the Financial Statements

---

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. Although uninsured and unregistered, the Library's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the Library's name.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on concentration of credit risk.



# YPSILANTI DISTRICT LIBRARY

## Notes to the Financial Statements

### B. Capital assets

Capital asset activity for the year ended November 30, 2006, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,003,899	\$ -	\$ -	\$ 1,003,899
Construction in progress	250,617	525,593	300,758	475,452
Total capital assets not being depreciated	1,254,516	525,593	300,758	1,479,351
Capital assets being depreciated				
Buildings	16,420,504	-	-	16,420,504
Furniture and fixtures	1,679,648	31,453	-	1,711,101
Vehicles	180,458	-	-	180,458
Computer and office equipment	425,276	196,908	289,452	332,732
Site improvements	152,213	300,758	-	452,971
Collections - Library books, CDs, and audio/visual	3,531,903	415,791	-	3,947,694
Total capital assets being depreciated	22,390,002	944,910	289,452	23,045,460
Less accumulated depreciation for:				
Buildings	1,810,751	413,585	-	2,224,336
Furniture and fixtures	433,922	135,299	-	569,221
Vehicles	86,263	25,780	-	112,043
Computer and office equipment	243,943	81,259	204,889	120,313
Site improvements	11,311	15,024	-	26,335
Collections - Library books, CDs, and audio/visual	2,438,642	516,679	-	2,955,321
Total accumulated depreciation	5,024,832	1,187,626	204,889	6,007,569
Total capital assets being depreciated, net	17,365,170	(242,716)	84,563	17,037,891
<b>Governmental activities capital assets, net</b>	<b>\$ 18,619,686</b>	<b>\$ 282,877</b>	<b>\$ 385,321</b>	<b>\$ 18,517,242</b>

# YPSILANTI DISTRICT LIBRARY

## Notes to the Financial Statements

---

### C. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the deferred revenue recorded in the governmental activities consisted entirely of unavailable property taxes.

### D. Leases

The Library has entered into two lease agreements as lessee for financing the purchase of copy machines and computers. These lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of the future minimum lease payments as of the inception dates. The future minimum lease payments and the net present value are as follows:

<b><u>Year Ended</u></b> <b><u>November 30,</u></b>	<b><u>Amount</u></b>
2007	\$ 42,058
2008	42,058
2009	<u>5,651</u>
Total minimum lease payments	89,797
Less amount representing interest	<u>(3,852)</u>
<b>Present value</b>	<b><u>\$ 85,915</u></b>

# YPSILANTI DISTRICT LIBRARY

## Notes to the Financial Statements

### E. Long-term debt

The following is a summary of long-term debt outstanding of the Library for the year ended November 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General Obligation bonds	\$ 14,420,000	\$ 9,685,000	\$ 11,100,000	\$ 13,005,000	\$ 770,000
Capital lease obligations	19,508	106,926	40,519	85,915	40,519
Compensated absences	113,830	45	-	113,875	113,875
	<u><b>\$ 14,553,338</b></u>	<u><b>\$ 9,791,971</b></u>	<u><b>\$ 11,140,519</b></u>	<u><b>\$ 13,204,790</b></u>	<u><b>\$ 924,394</b></u>

Bonds payable at November 30, 2006, are comprised of the following issues:

#### General Obligation Bonds:

\$3,320,000 unrefunded portion of 1999 Library Bonds, due in annual installments of \$770,000 to \$890,000 through the year 2010; interest at 4.50%

\$ 3,320,000

\$9,685,000 2006 Refunding Bonds, due in annual installments of \$910,000 to \$1,255,000 through the year 2019; interest at 4.00%

9,685,000

**\$ 13,005,000**

In the current year, the Library defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net assets. During the year ended November 30, 2006, the District defeased \$10,370,000 of its 1999 Library bonds. The balance of defeased bonds outstanding as of November 30, 2006 was \$10,370,000, which represents amounts placed in escrow as part of this refunding.

# YPSILANTI DISTRICT LIBRARY

## Notes to the Financial Statements

---

The current year refunding was undertaken to reduce total debt service expenditures over the next 22 years by \$145,416 and resulted in an economic gain of \$107,956.

The annual requirements to service the bonds outstanding as of November 30, 2006, are as follows:

<b>Year Ended November 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 770,000	\$ 488,268	\$ 1,258,268
2008	810,000	483,925	1,293,925
2009	850,000	446,575	1,296,575
2010	890,000	407,425	1,297,425
2011	910,000	369,200	1,279,200
2012-2016	5,155,000	1,255,900	6,410,900
2017-2019	3,620,000	221,000	3,841,000
<b>Total</b>	<b>\$ 13,005,000</b>	<b>\$ 3,672,293</b>	<b>\$ 16,677,293</b>

The capital lease obligations are explained Note III-D.

Compensated absences represent the estimated liability to be paid employees under the Library's vacation and sick pay policy. Under the vacation policy, employees earn vacation time based on time of service with the Library. Compensated absences are generally liquidated by the General Fund.

### **F. Receivables and Payables**

The Library often has interfund balances between its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At November 30, 2006, there was a receivable of \$3,622 in the debt service fund from the general fund.

# **YPSILANTI DISTRICT LIBRARY**

## **Notes to the Financial Statements**

---

### **IV. OTHER INFORMATION**

#### **A. Reservation of Fund Balance/Restricted Net assets**

The Library has received donations that have been restricted for expenditures relating to the development of the Library's collection. Fund balance has been reserved in an amount equal to the donation less any expenditures.

The donations described above along with debt service fund balance meet the criteria that require the amounts to be restricted on the statement of net assets.

#### **B. Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Liability and Property Pool for claims relating to property and general liability and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

#### **C. Defined Contribution Retirement Plan**

The Library provides a pension plan to all of its employees who are over 21 years of age and earn more than \$450 annually through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of employment. As established by the Board, the Library contributes 5 percent of employees' gross earnings and employees may contribute up to an additional 10 percent of earnings. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested after the first deposit. In accordance with these requirements, the Library contributed \$53,988 during the year, and employees contributed \$46,609.

# **YPSILANTI DISTRICT LIBRARY**

## **Notes to the Financial Statements**

---

### **D. Commitments**

At November 30, 2006, the Library had commitments in the amount of approximately \$337,000 for future capital expenses.

### **E. Restatement**

The Debt service fund balance and governmental activities net assets were restated (increased) by \$245,351 at December 1, 2005 to correctly record the recognition of property tax revenue.

\* \* \* \* \*

## SUPPLEMENTARY INFORMATION

**YPSILANTI DISTRICT LIBRARY**  
**Schedule of Operating Expenditures - General Fund**  
**For the Year Ended November 30, 2006**

	Salary and Benefits	Library Materials	Contractual	Automation and Capital Outlay	Other Designated Expenses
Administration	\$ 900,141	\$ -	\$ 62,924	\$ 563,155	\$ 151,505
Michigan Avenue	247,509	102,790	5,708	50,644	46,691
Bookmobile	40,803	-	-	-	11,244
Whittaker	866,968	330,281	29,224	2,967	210,415
Expenditures from donations revenue	-	37,260	-	-	-
Total	<u>\$ 2,055,421</u>	<u>\$ 470,331</u>	<u>\$ 97,856</u>	<u>\$ 616,766</u>	<u>\$ 419,855</u>



<u>Total</u>	<u>Budget</u>	<u>Under (Over) Budget</u>	<u>Percent of Total</u>
1,677,725	1,831,339	153,614	46%
453,342	504,352	51,010	12%
52,047	53,448	1,401	1%
1,439,855	1,544,642	104,787	39%
<u>37,260</u>	<u>-</u>	<u>(37,260)</u>	<u>1%</u>
<u><u>\$ 3,660,229</u></u>	<u><u>\$ 3,933,781</u></u>	<u><u>\$ 273,552</u></u>	<u><u>100%</u></u>



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



January 5, 2007

To the Board of Directors of the  
Ypsilanti District Library  
Ypsilanti, Michigan

We have audited the financial statements of **Ypsilanti District Library** for the year ended November 30, 2006, and have issued our report thereon dated January 5, 2007. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated January 3, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Ypsilanti District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Ypsilanti District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Ypsilanti District Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Ypsilanti District Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Ypsilanti District Library, either individually or in the aggregate, indicate matters that could have a significant effect on Ypsilanti District Library's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Ypsilanti District Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Lehmann Johnson".

# **Ypsilanti District Library**

## **Comments and Recommendations**

**For the Year Ended November 30, 2006**

---

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated January 5, 2007 on the financial statements of Ypsilanti District Library.

### **Journal Entry Review**

We noted that journal entries prepared by the Accounting Personnel are not initialed or signed by someone other than the preparer as a check for journal entry completeness and accuracy. In order to enhance internal controls in this area, we recommend that all journal entries be initialed by an appropriate person to “complete the circuit” for effective internal controls in this area.

### **Capital Asset Addition and Deletion Review**

We noted that capital asset records are not reviewed on a periodic basis by various departments in order to verify the existence of such assets. In order to ensure that all capital asset additions and deletions are recorded, the detail capital asset records should be inventoried every 3 or 4 years, or on a schedule that is proper for the District.

### **Deposit Procedures**

After cashing out the daily receipts, each branch prepares a “deposit record” which summarizes the cash and checks which is sent over to the Business Office, where other verification procedures are performed. The Business Office generates a daily receipts worksheet, which agrees to the deposit slip.

In order to enhance the internal controls in this area, we recommend that a copy of the daily receipts worksheet be routed back to the respective branch, where the amounts on that worksheet is agreed to the branch’s original deposit record.

### **Compliance Requirements of the Michigan Department of Treasury**

Earlier this year, the Local Audit and Finance Division (LAFD) of the Michigan Department of Treasury updated the form of its Auditing Procedures Report (APR). The APR, which is required by Public Act 2 of 1968, as amended, is prepared by CPAs auditing local governmental units, and submitted to Treasury along with the audited financial statements, single audit report (if applicable), and letter of comments and recommendations. While many of these items have long been reported by CPAs to the Department each year, certain additional disclosures were added with the 2006 revision of the APR. We noted the following requirements of the LAFD which we are bringing to your attention:

# **Ypsilanti District Library**

## **Comments and Recommendations (Concluded)**

**For the Year Ended November 30, 2006**

---

*Approval of invoices.* There is a requirement that all municipal organizations (cities, townships, counties, transportation authorities, district libraries, etc.) that the boards or councils must approve invoices prior to payment, or disbursement, unless addressed otherwise in the charter or in the organization's bylaws. The legislative body may establish a formal policy to authorize payments prior to approval in order to avoid late charges and to pay appropriated amounts and payroll and other regular recurring bills (such as utilities, rent, etc.). The policy must be very limited, and a list of payments approved by the Board would be done after the fact. The District Board is not presently approving invoices prior to payment

The District Library should start adhering to this directive, unless there is some formal document which says otherwise.

*Authorized investments.* Michigan Compiled laws section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to deposit and invest in certain specified bank and investment account types. Investing in common stock or common stock funds is not an allowable investment. At November 30, 2006 the District had an investment in a stock growth fund of \$17,033, which originated from a contribution several years ago.

The District should liquidate this investment, and transfer the proceeds into an allowable investment vehicle.

\* \* \* \* \*